

VZCZCXR06803

RR RUEHAG RUEHDF RUEHIK RUEHLZ RUEHROV RUEHSR

DE RUEHPG #0029/01 0141621

ZNR UUUUU ZZH

R 141621Z JAN 09

FM AMEMBASSY PRAGUE

TO RUEHC/SECSTATE WASHDC 1001

INFO RUEHRC/DEPT OF AGRICULTURE WASHDC

RUEHWR/AMEMBASSY WARSAW 3318

RUEHBS/USEU BRUSSELS

RUCNDT/USMISSION USUN NEW YORK 0259

RUCNMEM/EU MEMBER STATES COLLECTIVE

UNCLAS SECTION 01 OF 02 PRAGUE 000029

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E.O. 12958: N/A

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SUBJECT: CZECH AND DUTCH AG MINISTERS MEET ON CAP AND DAIRY REFORM.
FORMER EU AG COMMISSIONER FRANZ FISCHLER REAPPEARS IN PRAGUE

¶11. Summary: On January 12, 2009, Gerritje Verburg, Dutch Minister of Agriculture, Nature and Food Quality met in Prague with Czech Minister of Agriculture, Petr Gandalovic. They discussed the agenda of the U.N. Commission on Sustainable Development, priorities of the Czech Presidency, and also the situation in the EU dairy sector. Separately, January 9, Gandalovic announced his pick for special advisor during the Czech EU presidency, naming Franz Fischler former EU ag commissioner. The text of Gandalovic's January 9 announcement appointing Fischler is reproduced in paragraph 7. End Summary.

UN Sustainable Development Conference

¶12. The 17th session of the UN Commission on Sustainable Development will take place May 4-15, 2009 in New York. According to a January 12 Agricultural Minister briefing and press statement, Czech Agricultural Minister Gandalovic would like to take advantage of the Czech EU Presidency to highlight several issues during this conference. His main points are to emphasize food security with regard to sustainable use of natural resources, establish credible criteria for biofuels, and support second and third generation biofuels that will not compete with food production. Gandalovic also wishes to discuss creating jobs in rural areas and fighting against soil erosion and degradation. If possible, Gandalovic hopes to attend this meeting himself.

Ministers discuss Czech
Ag Priorities and Dairy

¶13. According to the Ministry's press briefing, The Czech and Dutch ministers agreed in their meetings on several issues. First, they wish to work on the quality of food and agricultural products. According to their statements, quality should include broader issues than just hygiene and labeling, such as animal welfare, ecological aspects and sustainability. Another issue both ministers agree on is the need to simplify and lower administrative and legislative burdens of the CAP for all stakeholders. These two themes are agricultural priorities for the Czech's during their EU presidency.

¶14. Both ministers would like the Common Agricultural Policy (CAP) after 2013 to be acceptable to tax payers and to be clearly defined. They agreed that the EU member states must set forth clear priorities for CAP policy and then discuss actual budgets. The CAP should be, according to the ministers, strong, efficient and treat all EU member the same. (Comment: To the Czechs this means that the system of modulating payments needs to be adjusted so that everyone who grows the same wheat gets the same subsidy payment.)

End Comment). Gandalovic and Verburg also agreed that the Czech Republic will support cutting the CAP budget in the future. Another priority of the Czech EU presidency -- the codification of a new definition of less favorable areas (LFA) and the assignment of subsidies for these areas -- was not discussed. Substantial parts of the Czech Republic's agricultural areas are classified as LFAs.

¶15. Both countries also face challenges in the dairy/milk production sector. The Netherlands requested a higher milk quota to create a softer landing for their dairy farmers at the end of the current phase in of higher quotas. The Czech Republic has been considering intervention purchases or export subsidies for milk. (Comment: An unlikely outcome if the current handshake against subsidies holds while there remains even a shadow of a possibility for a WTO Doha Round conclusion. End Comment.) The Czech dairy sector needs to increase its competitiveness. While in the western EU countries, milk can be produced for the equivalent of 5.5 CZK per liter, Czechs produce the same milk for 8 CZK. Czech dairy farmers are calling for more government support.

Czechs turn to Franz Fischler for help

¶16. On January 9, Agriculture Minister Gandalovic met with former EU Agriculture Commissioner Franz Fischler and invited him to advise the Czech Republic during its presidency. Fischler will serve as an unpaid advisor and meet monthly with the Minister. This cable offers a translation of the Ministry press release announcing its cooperation with Fischler.

Begin Unofficial Translation

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On Friday, January 9, 2009, ex-Commissioner for Agriculture and Rural Development Franz Fischler met Minister Gandalovic and the EU Presidency team of the Ministry of Agriculture to discuss the Presidency priorities, aims and strategies in Agriculture.

According to Fischler, the most significant impact of the current economic crisis on agriculture is the difficulty to foresee the development of prices and, obviously, more intense competition. 'Generally speaking, where there is less money among people, there is clearly more competition among them for who gets what share', commented Fischler.

Franz Fischler became European Commissioner after McSharry, who was the first to introduce real reforms to the Common Agricultural Policy (CAP) of the then EU-12. At that time, reform was needed because of overproduction due to subsidies and regulated prices, and the subsequent excessive increase of the costs of the CAP. Central to McSharry's reform was the idea of bringing agricultural production back into the market system, to decouple payments from production, to reduce the regulated prices and to reach the price level on the global market. Those who today discuss the rules for the CAP after 2013 are faced with similar tasks. Fischler took up the underlying ideas of the McSharry reform and, step by step, carried out a fundamental reform of the CAP. A new system of programs for rural development was devised to ensure the success of the accession of Sweden, Finland and Austria. It was Fischler who initiated the 'Cork Conference' in 1996. Its final declaration became the groundwork for Pillar 2 of the CAP. Fischler also put emphasis on the shift from quantity to quality in the process of production of foodstuffs, which is of fundamental importance for the Czech Presidency's agriculture priorities.

During his term of office, Franz Fischler dealt with several crises caused by animal diseases (the BSE crisis, foot-and-mouth-disease) and through his food safety policy managed to restore customer confidence in European production. 'As a European Commissioner, Franz Fischler sought to simplify the Common Agricultural policy mainly through transparent and accessible legislation - and simplification is one of the priorities of the Czech Presidency in the agricultural sector', said Czech Minister of Agriculture Petr Gandalovic.

The term of office of Franz Fischler in the European Commission was exceptional in many respects due to the reforms that were achieved, Fischler's influence on the successful negotiations on market liberalization, and also the unprecedented accession of 10 new Member States, which was demanding in terms of negotiations on accession conditions in the field of Agriculture. Today, Fischler works as a consultant and he has taken an active part in the debate on the 'Global Marshall Plan'. Together with European Landowners, he has established the 'Forum for the Future of Agriculture' and he chairs the discussion on the CAP after 2013 (the first Forum for the Future of Agriculture was held in March 2008 and a second one is to take place in March 2009).

End Translation

¶8. Comment. Gandalovic has successfully identified and moved to resolve a key element that challenges the Czech EU presidency - being able to influence commission activities as a smaller member state. Choosing Fischler to help navigate the commission and EU councils can assist in bringing to heel the EU's unwieldy bureaucracy. Even large states grapple with this problem during their presidencies. This message was cleared by USDA/FAS in Warsaw.

End comment.

Graber